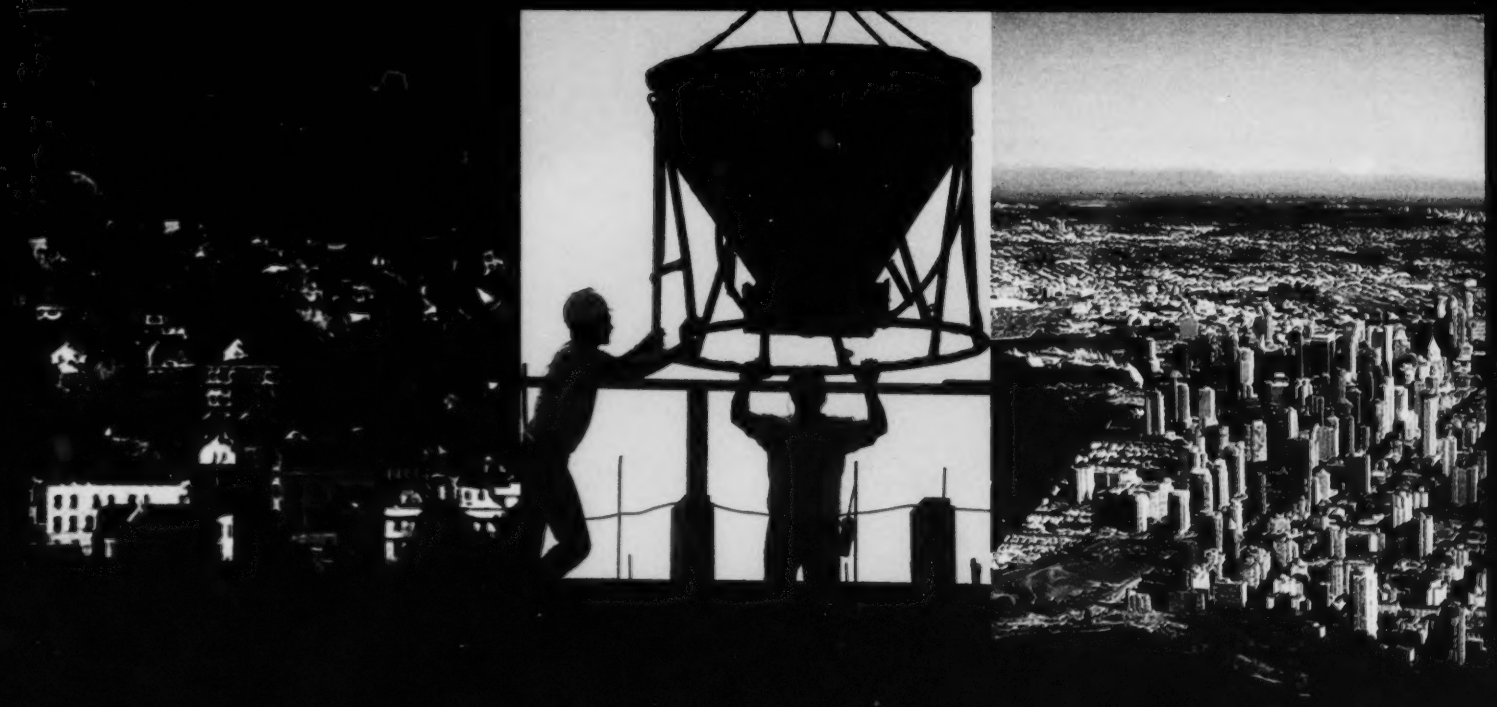

BUILDING STRONGER COMMUNITIES:

Better Services, Economic Growth, Solutions That Work

Report of the Premier's Task Force on Community Opportunities | October 2006

BRITISH COLUMBIA

The Best Place on Earth

Library and Archives Canada Cataloguing in Publication Data
British Columbia. Premier's Task Force on Community Opportunities.
Building stronger communities : better services, economic growth, solutions that work.

"October 2006"
Chair: Ida Chong, Ministry of Community Services.
Includes bibliographical references: p.
Available also on the Internet.
ISBN 0-7726-5622-3

1. Municipal government - British Columbia.
2. Community development – Government policy - British Columbia.
3. Regional planning – British Columbia. 4. Municipal services – British Columbia. 5. Provincial-local relations – British Columbia. I. British Columbia. Premier. II. British Columbia. Ministry of Community Services. III. Title: Report of the Premier's Task Force on Community Opportunities.

HN49.C6 B74 2006 320.809711 C2006-960173-9

2008-03992/

Letter from the Task Force Chair

As Chair of The Premier's Task Force on Community Opportunities, I would like to thank Task Force members for their work on a strategy for the future of local government in British Columbia.

MEMBERS:

Ted Armstrong, Director, Regional District of Cariboo

Mayor Donna Barnett, District of 100 Mile House

Councillor Brenda Binnie, City of Castlegar

Councillor Marvin Hunt, City of Surrey

Jerry Lampert, President, Business Council of British Columbia
(alternate: Jock Finlayson, Executive Vice President, Policy)

Mayor Frank Leonard, District of Saanich

Don Lidstone, Barrister & Solicitor, Lidstone, Young, Anderson

Mayor Herb Pond, City of Prince Rupert

John Winter, President, British Columbia Chamber of Commerce

Task Force members dedicated considerable time and were diligent in exchanging points of view, learning from each other, and discussing issues in broad terms. Our Task Force was a diverse group, representing local government and the business community, and was able to meld ideas and opinions on how to best deliver local government services – for the benefit of all our communities – urban or rural, small or large – throughout British Columbia.

The two strategic directions advocated by the Task Force are meant to build upon our current prosperity and growth, and provide for healthy, sustainable communities now and in the future. As Chair, I am very pleased to provide this report to the Union of BC Municipalities Convention 2006.

It was a pleasure to work with the Task Force in meeting the objectives set out by the Premier in 2004. Two original members, former co-chairs Mayor Steve Thorlakson and the Honourable Murray Coell, are also thanked for their work during 2004 and 2005.

Ida Chong

Ida Chong, FCGA
MINISTER OF COMMUNITY SERVICES

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Message from the Premier's Task Force on Community Opportunities

British Columbia is currently experiencing a period of strong economic growth. Government finances are strong and employment is at record levels. Communities have been provided with a range of new tools to address local issues. These new tools include a modern legislative framework, through the *Community Charter*, increased resources through traffic fine revenue-sharing and increased small community grants, new federal funding such as the gas tax transfer, and opportunities to support regional economic development through such vehicles as the Northern Development Initiative Trust, North Island – Coast Development Initiative Trust and the Southern Interior Development Initiative Trust.

Yet much more can be done. Services can be provided more effectively and efficiently to communities and the families who live there. Our whole provincial economy and the economies of our regions, can be put on a stronger footing to compete globally. By doing so, the communities that are the foundation of our prosperity can be made stronger. We, the members of the Premier's Task Force on Comamunity Opportunities, have identified four key challenges that are slowing the efforts of local governments to build stronger communities:

- the challenge of collaborating
- the need to build strong regional economies
- the need for creative leadership
- the challenge of promoting regional action

Local governments in British Columbia must begin taking the steps necessary to address these challenges, to reorganize services where it makes sense, and to make the changes needed to ensure our regions and the economy as a whole are more competitive.

The provincial government can help – to a degree. For instance, purposeful revenue-sharing – targeted to clear goals – is supported as a key catalyst to motivate a shift in the way local governments provide services and in how they facilitate economic development. As a tool for managing outcomes, rather than an end in itself, revenue-sharing could create incentives, overcome barriers, build capacity and strengthen leadership so that communities reach their full potential.

In this province, there exists a real opportunity to shift thinking across government, business and our communities. We believe that with the right approach, these challenges can be converted into solutions that work to meet the diverse needs of citizens and communities in British Columbia.

We, therefore, outline two broad, forward-looking strategic directions. We focus on immediate actions, as first steps towards realizing these long-term directions to enhance British Columbia's prosperity and quality of life, while also identifying some second level actions to guide future work toward achieving sustainable communities.

TOWARD MORE EFFECTIVE COLLABORATION:
Strategic Direction One

Local government services are vital to the achievement of important community and provincial objectives, including public health and safety, environmental protection and achieving a high quality of life for citizens. Various trends and factors, such as rapid population growth and changes in the natural environment, are impacting the efficiency and effectiveness of services.

British Columbia already enjoys a remarkably collaborative local government system, but it can be made better still. Extending collaboration beyond its current level can enhance service delivery by realizing the potential to meet distinctive community and regional needs. Broad-area approaches to problem solving can address public service needs and respond to increasingly complex service issues. Collective leadership is essential to influence change and achieve the desired results. We set out the following suggestions for improvement to realize the long-term direction of effective collaboration.

1. Upgrade Existing Small Community and Rural Water Systems

Access to an adequate supply of safe drinking water is something the public rightly expects from their local governments. However, water systems serving approximately 10% of the province's population outside major built-up areas are fragmented into almost 3,000 public and private agencies. As a result, many rural communities have serious water quality problems, which can lead to significant health risks for citizens.

Local governments need to play a more prominent role in addressing public health and water quality issues in relation to smaller water systems. Larger, more capable local governments have the ability to move forward on these issues, and need to assume a leadership role. But today there are several impediments that must be addressed. The Task Force believes that a multi-faceted approach to upgrade existing and smaller community rural water systems is necessary. This strategy includes: looking to local governments to develop plans for addressing rural and small community water problems, including an assessment of the current condition and make up of the water systems in a jurisdiction; applying available capital funding towards addressing infrastructure needs; bringing forward innovative approaches to cost-recovery; and possibly, in partnership with the Municipal Insurance Association, providing insurance to local governments when they assume responsibility for small community water systems.

2. Enable Multi-Regional Collaboration for Service Delivery

Current approaches to extra-territorial regional service delivery, such as ad-hoc legislative or partnering arrangements, are useful in some but not all circumstances. To improve integrated service delivery across multiple regions, the Task Force urges consideration of a legislative provision that makes it easier to establish desired partnering arrangements among regions. This legislation would provide for "off-the-shelf" multi-region partnering for cost-effective service delivery. Some examples would be service partnerships to provide for the management of an expansive watershed, emergency planning or emergency communications such as 911.

3. Enhance the Delivery of Regionalized Fire Support Services

The services provided by British Columbia's network of local fire departments can be enhanced through systematic provision of regionalized support services. In particular, action needs to be taken to strengthen the capacity for regionalized fire safety and prevention services. A series of government-funded pilot projects, in several regional districts, shows why regional support for local fire departments is a solution that works.

Stable, sustainable funding should be provided for regionalized fire support services. The Task Force, therefore, urges the consideration of a revenue-sharing scheme linked to the provincial Insurance Premium Tax. Under the proposed scheme, revenue-sharing would be targeted; it would provide an incentive for regions to assume an increased number of fire support services by gearing shared revenues to the number and complexity of services provided.

STRENGTHENING REGIONAL ECONOMIES:
Strategic Direction Two

Local governments have a clear interest in enhancing economic prosperity. They are important economic drivers and can facilitate economic opportunities. Many are involved in broad-area initiatives, such as the regional development trusts, and some are engaged in regional strategic planning initiatives coordinated by the Ministry of Economic Development. The Task Force believes that local governments can play an even greater role in coordinated, strategic economic planning.

Expanding British Columbia's economy requires an environment in which business and industry can thrive. Streamlining the business regulatory environment to clear away unnecessary red tape will make it easier for businesses to establish themselves and grow. The following immediate actions could strengthen both local and regional economies.

1. Reinvent Regional Economic Development

A competitive British Columbia depends on the competitiveness of its individual economic regions, which in turn depend on competitive communities.

Over the years, many efforts have been launched to improve the competitiveness of our economic regions. A key lesson learned is that a successful model for economic development must have staying power. If not implemented and monitored over time, no regional economic blueprint is likely to succeed. It is the opinion of the Task Force that the sustainability of economic development initiatives is most likely linked directly to the economic feedback loop, that is, in the ability of regions to capture economic rewards from their efforts in the economic development sphere. In this respect, the primary source of local revenue, property tax, responds slowly to economic growth.

To advance regional economic development, a mechanism is needed to share with regions the direct benefits of increased economic production. Accordingly, the Task Force supports an approach to regional economic development that relies upon regional alliances or partnerships to develop, implement and monitor regional economic strategies. These alliances or partnerships would: be based on natural regional economies; engage businesses, educational institutions, port and airport authorities, the health sector and local governments; have responsibility for achieving success in expanding regional economies and making them more competitive in a global environment; and share in the direct rewards of economic expansion through a results-based revenue-sharing scheme. These shared revenues could be used in the region to fund regional and community enhancements, support strategic infrastructure, and fuel even faster growth in the future.

2. Promote Business-Friendly Practices

A healthy and growing business base is critical to the economic and social well-being of communities in British Columbia. Local governments can positively affect community well-being by developing business-friendly best practices. We also believe that in order to help British Columbia compete in the global economy, both local government and the business community need to take a more active role in promoting a competitive business environment. Continued commitment and constructive dialogue will help set a long-term direction to maximize business opportunities.

3. Harmonize Business Licensing

Local governments play a role in facilitating business growth through their policies and practices. To encourage investment and growth and provide a consistent playing field for businesses, local governments need to take steps to streamline and harmonize licensing regulations, initiate inter-municipal and region-wide approaches to business licensing, and promote single-access service models.

CREATIVE IDEAS FOR THE FUTURE:
Looking Down The Road

The Task Force believes that its work to date is just the beginning. The Task Force also considered some further areas where action could be taken towards developing the strategic framework to support the long-term sustainability of British Columbia communities. These ideas require further thought and reflection, but may stimulate the kind of discussion required to achieve even more progress:

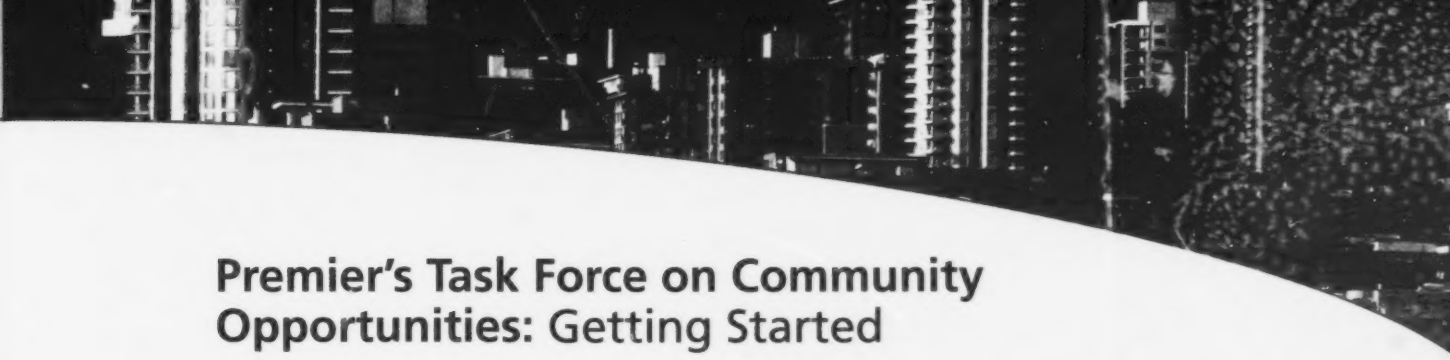
- *Innovative Housing Options* – The Task Force acknowledges that some local governments wish to play a stronger role in facilitating provision of both market and non-market housing. To that end, the Task Force suggests that thought be given to providing incentives to encourage innovation in the area of housing affordability. This needs to be accompanied by measurement of results and accountability back to taxpayers.
- *Local Government/First Nations Relationships* – Developing positive relations and finding common ground are essential for maximizing social and economic opportunities. The Task Force suggests that more can be done in the long-term to foster region-local government-First Nations relations and encourage collaboration for mutual benefit.
- *Addressing the Needs of Resource Dependent Communities* – After reviewing the unique approach to property taxation used in the Peace River Regional District in relation to the dispersed oil and gas sector, the Task Force sees some merit in exploring servicing and taxation issues in other resource dependent regions.
- *Streamlining Local-Provincial-Federal Regulatory Structures for Development* – The Task Force suggests that streamlining and harmonization among federal, provincial and local government development approval processes may be one way to encourage investment and speed up development approval processes.
- *Local Government Tax Room* – While revenue-sharing opportunities were the focus of the Task Force, local government tax room was also discussed. The Task Force understands that if additional tax room was provided to local governments, an off-setting adjustment of the provincial school tax might prove to be an effective strategy, and is therefore a topic that deserves future attention.
- *Provincial Crown Corporations* – The Task Force sees merit in further action to bring provincial crowns into a regime that is more consistent with private sector companies.
- *Federal-Provincial Infrastructure Grants Streamlining* – The Task Force sees merit in streamlining the application and review processes for a variety of grant programs.
- *Reducing the Number of Developed Areas Outside Municipal Boundaries* – The Task Force believes that consideration should be given to mechanisms that can accelerate the resolution of planning and service issues that arise at municipal boundaries.

IMPROVING A STRONG LOCAL GOVERNMENT SYSTEM

Local governments can play a catalytic role in strengthening British Columbia's local government system by focusing on problem solving and exerting their influence to find innovative solutions that work. They can reform economic development and service delivery without requiring recourse to measures such as forced amalgamation. We believe that local governments that are prepared to lead by acting collaboratively, to benefit economic regions beyond their jurisdictions, will be rewarded with better services, economic growth and healthier communities.

Chair and Members

PREMIER'S TASK FORCE ON COMMUNITIES OPPORTUNITIES
OCTOBER 2006



Premier's Task Force on Community Opportunities: Getting Started

Premier Gordon Campbell created the Premier's Task Force on Community Opportunities (Task Force) in 2004 to explore new approaches to strengthen economic growth and deliver integrated, results-oriented services to communities through regulatory reform, governance reform and revenue-sharing. He also invited the Task Force to report back to the Union of BC Municipalities annual convention with ways for local governments to work more effectively with each other, with stakeholders and with the provincial government.

The great strength of local governments is their ability to create innovative local solutions to local issues. One of the greatest challenges faced by local governments is to look beyond their boundaries to create solutions that are right for a broader region. Many other jurisdictions have addressed this need by introducing structural reforms, for instance by requiring local governments to amalgamate. Not wishing to take this course, the Task Force wanted to find innovative, made-in-BC solutions that would create stronger communities by finding workable alternatives to forced amalgamation. This approach – the BC way – emphasizes collaboration, incentives and cooperation.

The Task Force recognizes that there is a vital link between the health of communities and the strength of the local government system. A strong local government system helps to build resilient, healthy and vibrant communities. Since British Columbia has a very strong local government system in place already, the Task Force broadened its approach to think beyond improving the local government system to finding collaborative ways for entire communities and regions to show leadership by improving service delivery and promoting economic development.

This report lays out an ambitious agenda for new strategic directions that will result in greater collaboration and a renewed economic focus to strengthen British Columbia's communities. It identifies priority actions, as first steps towards realizing these long-term directions to enhance British Columbia's prosperity and quality of life. The report also identifies some second level actions to guide future work towards achieving sustainable community development.

WHAT MAKES A COMMUNITY?

In carrying out its work, the Task Force initially questioned: what makes a community? The traditional answer tends to focus on geography, defining communities as geographically limited neighbourhoods or municipalities. Under British Columbia's dual-stream system of municipal and regional governments, some would include regions as a community. The Task Force goes further to propose that communities can consist of multiple regions. This broader definition of "community" extends beyond political boundaries to include economic regions, ecological regions, watersheds and agricultural zones.

Communities also include the interests of a wide variety of stakeholders. Communities are unified by the shared yet diverse interests of individuals, business and industry, First Nations, the education, advanced education, health and social service sectors, and all orders of government. Each community has an individual character resulting from the dynamic interplay of these diverse interests. Consequently, each community defines itself differently, has the potential to take advantage of unique opportunities and faces particular challenges.

GUIDING PRINCIPLES

Based on this broader definition of community, the following principles guided the Task Force's work:

- taxpayers' interests come first: solutions should meet the needs of all taxpayers, both residential and business
- taxpayers are served best when the most cost-effective service approaches are implemented
- successful communities have a long-term vision for sustainable solutions
- solutions and strategies must reflect the diverse character and distinctive needs of communities across British Columbia
- broad powers of local governments must be balanced by accountability and responsibility
- revenue-sharing, rather than being an end in itself, is a tool that can be used to achieve specific objectives

BC COMMUNITIES: Key Factors and Trends

Communities in British Columbia are diverse in their size, interests, needs, and the industries that support their economies. They face challenges and opportunities that result from a combination of demographic, economic, environmental and technological changes.

Population changes are affecting the development of British Columbia communities and regions. Increased life expectancy, an aging population, retirement of the baby boomers, increased immigration, and generational diversity are all expected to create new demands on communities. Urbanization is increasing and is straining infrastructure and service delivery. Urban areas need to keep up with the demands of a rapidly growing population, while smaller communities in decline are challenged to sustain and diversify their economies and renew deteriorating infrastructure. An aging population highlights the importance of innovative approaches to health, housing, transportation and other community services, and the pressure to ensure that services are available in communities across British Columbia.

These demographic shifts are compounded by economic changes. The globalization of the economy means that many communities must compete on an international scale to thrive. In order to be sustainable and globally competitive, BC communities need to be attractive places to live and work, offer competitive advantages to businesses, and provide a high quality of life for residents. This means that communities need to offer a growing mix of services, as well as incentives to attract and retain businesses and residents. At the same time, communities must adapt to a new economic profile: although resource extraction continues to be an important force in the provincial economy, many local economies are becoming more diversified. Compounding these changes, technological advances, such as automation and the internet, have created new demands for a different type of infrastructure and services, yet also present significant economic opportunities.

Environmental changes are having a direct impact on local economies. Warmer temperatures and droughts impact the water supply and contribute to higher risks of forest fires. Warmer winters have also contributed to the spread of the pine beetle, killing many pine forests across British Columbia. Communities must adapt by relying less on the forest industry for jobs, by improving fire protection services, and by finding better sources of potable water and improving water supply infrastructure.

FACTS ABOUT LOCAL GOVERNMENTS IN BRITISH COLUMBIA

Municipalities

- Number: 157
- Population range: from under 500 to over 500,000
- Median population: about 5,000

Regional Districts (RD's)

- Number: 27
- RD's blanket the province except for the northwest corner
- All municipalities are members of a regional district
- RD's are responsible for over 2,100 inter-local service partnerships

Municipalities and RD's combined

- Annual spending: about $4.97 billion (2001); about $6.65 billion (2005)
- Percent of revenues that are own-source: about 96%
- Percent of revenues from property taxes: about 56%
- Percent of revenues from fees and charges: about 31%

Population distribution

- Total BC population: under 4.08 million (2001); over 4.25 million (2005)
- Percent living in the southwest (Lower Mainland, southeast coast of Vancouver Island, Okanagan Valley): 81%
- Municipalities occupy only 1.4% of the province's area but contain 88% of the population

THE CURRENT LOCAL GOVERNMENT SYSTEM: Strengths

British Columbia has a two-stream system of municipal and regional governments. The municipality is the basic unit of local government. The regional stream is a collaborative federation of municipal governments, with each of BC's 157 municipalities belonging to one of the 27 regional districts. Collectively, municipal and regional district governments provide important local services to their citizens, including:

- policing[1]
- fire protection
- water, sewer and transportation infrastructure
- waste management
- libraries
- parks and recreation

They also have a key role in planning and managing community development. The services offered by local governments differ depending on their citizens' needs and the willingness of those citizens to pay for services.

The *Community Charter* and the *Local Government Act*[2] are British Columbia's key local government legislation. Rather than setting out prescriptive rules that restrict authority, this legislation provides broad powers that allow local governments the maximum flexibility and scope needed to do their job. As an order of government, local governments have broad corporate, service and regulatory powers and flexible cost-recovery powers. Municipal councils and regional district boards can provide any service they consider necessary or desirable and have broad scope over how to provide it. They also have considerable authority to regulate land, buildings, businesses and people, although municipalities have somewhat broader regulatory scope than regional districts. These broad powers are balanced by extensive accountability to citizens.

Local governments expend over $5.6 billion annually to operate and provide services to their citizens. Municipal governments account for about 80% of this total, while regional governments account for about 20%. While the level of direct local government spending is only about 4% of British Columbia's gross domestic product, it is recognized that local governments are indirectly a major contributor to economic development in British Columbia.

The local government system in British Columbia is unique in Canada because of the conscious development of a mature culture of collaboration among governments and agencies. This predisposition towards collaboration capitalizes on the many strengths of each element within the system, including:

- strong, independent and broadly empowered municipalities that can act independently or in alliance with other local governments with equal effectiveness
- a flexible regional government framework where municipalities can work together and deal with issues that can extend beyond municipal boundaries or even the boundaries of the regional government. (this is most strongly demonstrated in collaboration for service delivery and for growth management)
- a strong and stable local government association in the form of the Union of BC Municipalities allows local governments to speak with one voice for all parts of the system, and negotiate effectively with other governments in the best interests of its diverse membership
- a set of financial organizations, such as the Municipal Insurance Association and the Municipal Finance Authority, provide collective support for the system, producing benefits that would not otherwise be achieved if local governments acted independently

1 The mandate to provide for local police applies only to municipalities with populations over 5000.

2 An administrative process (called statute revision) leading to a technical clean-up of the *Local Government Act* is underway. Once completed, the result will be a better structured, more useable Act for practitioners.

THE CURRENT LOCAL GOVERNMENT SYSTEM: Challenges

Local governments can use the advantages they already have to achieve even greater results. We identified four key challenges that are slowing local governments' efforts to build stronger communities.

The Challenge of Collaborating

Despite high levels of collaboration within our municipal system, we believe local communities are challenged from time to time by the need to put regional well-being first. Where local self-interest prevails, it can result in inadequate services for British Columbians and missed opportunities to improve their collective welfare. Moreover, some services continue to be provided at a local level despite clear advantages to providing such services, or some elements of the services, at a broader scale. For example, water supply and fire services are not often well supported by collective action, such as bulk purchasing.

The Need to Build Strong Regional Economies

All orders of government, First Nations, business interests and other stakeholders may introduce economic development initiatives in isolation from each other in a "silo" approach. When there are no readily available methods for stakeholders to work together to define problems, plan for growth, assemble resources or solve problems, then economic opportunities may be lost. Innovative approaches, such as the regional development trusts and regional strategic planning initiative coordinated by the Ministry of Economic Development, are being applied to the challenge of building strong regional economies in British Columbia. But the challenges are very real and more work remains to be done.

The Need for Creative Leadership

Local governments can be frustrated in their ability to influence economic development and provide services collaboratively because of the challenge of looking beyond their local boundaries. This is not surprising in that the electoral success of most local councillors and board members is rooted in local issues. Increasingly, however, local leadership needs to involve not only effective management of local communities but also cross community collaboration and partnership-building to diversify local economies. This is one of the motivations behind the provincial government's initiative to help fund a new Local Government Leadership Academy. The Academy will help nurture creative leaders in the future. But even today, we must strive to develop leaders whose vision and scope includes *all* communities.

The Challenge of Promoting Regional Action

A well-functioning local government system ought to provide the right incentives for developing region-wide initiatives. Capacity is needed for local governments to undertake multilateral action and develop strategic approaches to regional economic development. This means finding the right incentives to bridge diverse local and regional interests.

Strategic Directions

Demographic, economic and environmental trends, rising consumer expectations and demands, and rising service costs are leading local governments to re-evaluate how they deliver services. Increasingly, local governments are facing complex issues without simple solutions. More and more, local governments are realizing the need to become problem solvers – capable of finding solutions through negotiation, compromise and consensus.

Action and change are essential if British Columbia is to address these complex challenges and build stronger communities. The Task Force proposes two broad, strategic directions to improve the economic and social strength of communities across the province. These directions are focused on removing barriers, creating incentives and building community capacity. The two directions – *toward more effective collaboration* and *strengthening regional economies* – are structured to integrate service delivery, motivate collaboration and encourage regulatory reform to maximize the opportunities available to communities throughout British Columbia.

The Task Force suggests some immediate actions that illustrate ways that tangible progress can be made towards achieving concrete results. These immediate actions are not an exhaustive list of steps to be taken, but rather represent the beginning of a transformative journey for the sustainable development of British Columbia communities.

The Task Force views revenue-sharing as a means to stimulate greater collaboration between communities, using the broad definition of communities, in developing economic development and service delivery initiatives. Revenue-sharing is not simply a means of supplementing local revenues. Where it is used, it needs to be tied to results and there must be clear accountability to taxpayers. The prospect of access to new revenue sources should serve as an incentive for all communities, local and regional alike, to develop their capacities and to think more proactively and creatively about ways to improve community well-being.

TOWARD MORE EFFECTIVE COLLABORATION: Strategic Direction One

It makes sense to work together. Thousands of successful service partnerships across the province prove this. Extending collaboration beyond its current level could enhance service delivery by realizing the potential to meet distinctive community needs in better, more economical and effective ways. When challenges or opportunities are shared across jurisdictions, services can be delivered and governance issues resolved by acting collectively rather than taking a "go-it-alone" approach. Collective leadership provides local leaders with the scope and tools they need to be innovative and to act proactively to address issues. Broader-scale approaches can address any public service gaps that exist and respond to increasingly complex service issues by drawing on a wider pool of skills and capacity available from multiple jurisdictions. Joint approaches to problem-solving will also serve to bind communities together into a more effective whole.

Services or selected elements of a service (such as fire training versus fire fighting) may be effectively delivered on a broad-scale basis where:

- there is the possibility of economies of scale thereby reducing the costs to citizens
- the service or service element is best delivered on an inter-local basis to ensure a broad perspective in decision-making and to fully implement servicing agreements
- opportunities exist to improve performance, provide a high quality of service or increase value to the customer

In particular, we believe that such collaboration could help make water, fire and emergency services markedly more effective. Practical solutions could address long-standing, jurisdictional issues so that communities can move forward to reach common ground.

We set out the following three suggestions for improvement to realize this long-term direction of effective collaboration.

1. Upgrade Existing Small Community and Rural Water Systems

Ongoing population growth, economic development and the impact of environmental change make water supply an important issue in parts of British Columbia. Water systems serving approximately 10% of the province's population outside major built-up areas are fragmented into almost 3,000 public and private agencies. Many small and rural communities have serious water quality problems, which can lead to significant health risks for citizens. There also is the perception of rising risk and liability exposure for public agencies charged with managing drinking water supplies.

In the context of more stringent drinking water requirements, bringing rural systems into local government (regional district or municipal) and using capital grant programs to assist communities to upgrade rural infrastructure is increasingly important. Current efforts in this regard have been successful in many locations, but many smaller community water systems nevertheless remain in need of improvement.

Access to an adequate supply of safe drinking water is something the public rightly expects from their local governments. For this reason, the Task Force believes that larger, more capable local governments need to begin planning for a much more active role in addressing the problems found in small community and rural water systems. Water services lend themselves well to delivery on a large-scale basis as many components of the service, such as supply, treatment, administration and operations, offer economies of scale and scope. Water services are also capital intensive, with high fixed costs, and often require specialized expertise in their operation.

The Task Force is aware that there are some very real impediments to having local governments assume a greater role in resolving issues with existing small community and rural water systems, and has identified some strategies for overcoming these.

Need for comprehensive planning

If a local government is considering assuming overall responsibility for the smaller systems, the need for comprehensive planning becomes clear. There are many things to consider, including the scale and scope of services, delivery mechanisms (for example, public supply versus alternative service delivery arrangements), selecting technologies, and setting priorities. The analysis should also identify why changes are required to the mode of service provision, and the expected benefits of making the changes. At the end of the day, the purpose of any such planning analysis should be to achieve the public interest in safe drinking water.

Local governments need to begin the process of addressing rural water issues with a comprehensive plan or analysis. The Task Force recognizes that some regions have already developed such a comprehensive plan. Assessment of current small community or rural systems would determine the make-up and condition of the water systems as well as provide the necessary basis for the preparation of a jurisdiction's strategy for orderly remediation.

The provincial government plays an important role in supporting this type of planning activity through infrastructure planning grants. The Task Force considers this program to be an important contribution to this area.

Need for capital investments

Many smaller system operators do not have the same access to resources that are available to larger system operators (costs include both the need to provide the professional expertise to operate the smaller systems and the capital costs required to upgrade and maintain the systems). The lack of capital investment in many of these smaller systems has resulted in deteriorating or substandard infrastructure throughout the province. These infrastructure deficits, and the expense required to upgrade them, are factors that deter local governments from assuming responsibility for the smaller systems.

The Task Force is of the opinion that more needs to be done to channel infrastructure capital grants into rural water upgrades. Providing, treating and distributing water are vitally important services. Increasingly, water is becoming a critical factor in the future economic growth of British Columbia communities. The importance of water to economic development, human health and safety is well understood by all. Therefore, it would be reasonable for the authorities responsible to consider using new funding vehicles such as the Strategic Priorities Fund (under the gas tax transfer) for this purpose. Local governments are also encouraged to apply for funding under the Canada-British Columbia Municipal Rural Infrastructure Fund, which supports smaller scale municipal infrastructure, including water and wastewater treatment. They should consider public-private-partnerships or other options as well. Additionally, the Task Force suggests enhancing the administrative and professional capacity of local governments that assume responsibility for smaller community water systems through appropriate provincial incentives.

SUNSHINE COAST REGIONAL DISTRICT

In 1990, the Sunshine Coast Regional District established a local service area over the entire regional district including six electoral areas and the District of Sechelt for the purposes of providing the full scope of water services. Excluded are the Town of Gibsons and the Sechelt Indian Government District (SIGD), although the regional district supplies bulk water to Gibsons to augment the town's supply. It also provides service to the SIGD under a contract negotiated some years ago. All properties served by the water system throughout the regional district pay the same parcel tax and user fee rates. Governance is provided through the regional board while management, administrative and technical support is provided by regional district staff. The regional district contracts for a number of services from the private sector.

Source: Tonn, Gerry (Urban Systems, June 2005). *Best Practices for Moving Towards Change in the Delivery of Local Government Services. Discussion Paper on Service Delivery.* Research Study Prepared for the Premier's Task Force on Community Opportunities.

Need for cost-recovery alternatives

The traditional approach to cost-recovery can also be an impediment to achieving progress in the small community and rural water sphere. The Task Force finds that in many cases, a strict, full cost-recovery model is applied to small community and rural systems – whereas these policies are not necessarily applied within existing municipal systems. Within municipal systems, it is recognized that it is often impractical to charge different users the full cost of service provision. This would mean, for instance, that homes at the *end* of a water distribution feeder line would pay higher charges than dwellings at the *beginning* of the line. In practice, a certain amount of cost averaging is applied in such cases so that user rates are equalized.

Transit utilities also operate in this fashion. Buses charge flat rates and not the kind of metered rates used by taxis. Average cost bus fares are accepted in place of strict user-pay schemes because of the value placed on equality of access to transit services. The Task Force notes that there often are several competing principles at play when determining the fair allocation of charges, and it is the job of local governments to find a balance between them.

Many local governments are willing to extend services to small community and rural systems, but only on the condition that a strict user-pay policy is applied. In other words, average cost pricing applies out to the edge of the municipal boundary but full cost-recovery – that is, "taxi pricing" – tends to be applied to small community systems just beyond the edge.

The Task Force urges local governments, when undertaking comprehensive water infrastructure planning, to consider alternatives to the current cost-recovery policies being applied to small community and rural systems. Better, more balanced options may be found.

Need to address perceived risk and liability

When local governments consider assuming responsibility for small community and rural water systems, they often encounter a lack of knowledge and certainty about the infrastructure to be absorbed. This could present a serious problem. Without a comprehensive appreciation of the make-up and condition of the water system in a jurisdiction, it is difficult to assess the feasibility of a local government assuming responsibility for the system. What is more, it is sometimes impossible to know the make-up and condition of small community and rural water systems with any certainty. Much depends on whether reliable information has been assembled and stored in an accessible way.

While this is a serious impediment, it is not necessarily insurmountable – although creative solutions may have to be applied. When people or firms encounter uncertainties and risk, usually they look for a way to provide themselves with insurance against possible losses. The Task Force applied this same thinking in this instance, the question being, is there a role for the Municipal Insurance Association (MIA)? MIA has a two-pronged mandate, on the one hand, to insure its members against losses arising during the course of their business and, on the other, to provide risk management advice to members. Both roles are relevant here.

The Task Force believes that there may be a way to build a mutually beneficial partnership with MIA to mitigate this risk and to build the MIA into the solution to the water issue. The key to success would be connecting:

- the public interest in clean water, which would be materially affected if a way could be found for MIA to provide insurance services in this sphere
- MIA's interest to end the requirement that provincial Insurance Premium Taxes (IPT) be paid by local governments that are members of MIA (approximately $500,000 per year)

The Task Force urges that consideration be given to inviting the MIA into this sphere as a partner. MIA could be asked to consider the creation of a segregated insurance plan – referred to as a "side-car" in insurance industry language – specifically for this circumstance. In return for giving this matter full consideration, the Task Force encourages the provincial government to launch a review of the IPT, with a view to exempting local governments from paying the tax on MIA premiums. Such an exemption, in the opinion of the Task Force, also has merit strictly on tax policy grounds. This "saved" money could then be redirected to MIA to support the segregated insurance plan.

Much additional work will be required to turn this concept into a reality. However, the Task Force believes this "let's make a deal" approach has merit, and urges that this work proceed.

2. Enable Multi-Regional Collaboration for Service Delivery

The economic, environmental and social issues affecting regions in British Columbia are inter-related, complex and do not always fit neatly into current political boundaries. Every region of the province is different in terms of the geographic scale of issues faced. For some issues, appropriate solutions can be found inside existing regional district structures. Other issues cannot effectively be contained. As an example, the sterile insect release program[3] required the involvement of five south central regional districts dependent on the fruit industry. Collaboration and partnership arrangements between jurisdictions are required for effective service management and to provide more cost-effective services to citizens. However, while multi-regional service delivery arrangements could assist in creating services that extend beyond single regional districts, they are difficult to achieve under the existing legislation.

For example, many urbanizing areas of British Columbia face water supply challenges because of economic development, rapid population growth and drought due to environmental change. Ensuring high-quality, secure and reliable water sources over the long-term requires reducing demand, managing existing resources and securing the necessary supply to meet anticipated water needs. Watersheds do not always recognize current political boundaries: in many cases, providing users with the highest quality of water at the lowest cost necessitates managing water at a larger scale through inter-regional collaboration and involvement of key stakeholders.

Within current regional district legislation, regional districts can provide services outside their boundaries – this is known as "extraterritoriality". This can be done under contract or authorized as a service extending into neighbouring regional districts. However, the current legislative framework is not designed to enable multi-regional service delivery and partnerships without one of these regions acting as the dominant partner.

To improve integrated service delivery across multiple regions, the Task Force urges regional districts to consider where multi-regional partnerships could improve services to citizens. These could then be accommodated through a straightforward legislative provision that makes it easier to establish desired partnering arrangements among regions. This would provide regions with increased flexibility in determining optimal service delivery arrangements. A new provision to enhance collaborative multi-region service delivery under the *Local Government Act* would provide for:

- customizing the scope and scale of a service to meet local needs (e.g. watershed strategic planning at the multi-jurisdictional level and operational decisions at the local level)
- regional districts to be partners with shared decision-making authority
- stakeholder involvement to ensure that the full range of interests (residents, industry, agriculture) have their say
- collaborative bodies able to develop plans and carry out their commitments

Recognizing that every region is different, such a provision would need to be a flexible, easy-to-use partnering structure for equal partners and would be used only where participants agree it makes sense. While water is used as an example, there are other possibilities, such as emergency planning and communications, that would benefit from streamlining of legislation enabling multi-regional partnerships. The Task Force has observed that successful emergency planning, communications and response services require the coordination and participation of a number of affected regional districts. The proposed legislative provision would provide greater certainty in inter-regional discussions and build on the strengths of natural regions.

3 The Okanagan-Kootenay Sterile Insect Release Board represents five regional districts in the southern interior. The board was created under the *Municipalities Enabling and Validating Act* (1989). Then, to implement the service, each regional district had to adopt a coordinated service establishing bylaw. Each regional district appoints one representative annually. The federal and provincial agriculture ministries and the BC Fruit Growers Association are non-voting members.

3. Enhance the Delivery of Regionalized Fire Support Services

Fire services in British Columbia rely to a large extent on community fire departments, which do an exceptional job of putting out fires and protecting our communities and families.

British Columbia currently has over 400 individual fire departments and approximately 1,300 Local Assistants to the Fire Commissioner (LAFC).[4] Although British Columbia has a reasonably strong record in fire safety, the fire prevention system could be enhanced through better integration, communication and coordination between departments. For example, incompatible equipment purchases, insufficient volunteer training and inconsistent operating procedures between departments often render mutual aid agreements ineffective. Furthermore, many have acknowledged that the current LAFC system is outdated. The 2003 fire storm confirmed that more must be done to support the local fire services through collaborative sub-regional and regional service structures that reflect the diverse range of issues and regions across the province.

Consequently, in 2004, the Ministry of Community Services, in conjunction with the Office of the Fire Commissioner, launched the *Innovations in Fire Services Program* to experiment with alternative solutions to providing support to local fire departments. Under this program, regional districts received small, one-time provincial grants to enable them to test different approaches to resolving fire service capacity issues in their area. The program has met with considerable success. The grants have enticed nine regional districts to advance pilot projects in such areas as:

- streamlining service delivery by reducing the number of LAFCs in a region from over twenty to one. Regionalizing fire protection functions focuses communication on a single point of contact in the event of an emergency such as interface fires, and could allow for the building of an in-region network of fire prevention officers working in conjunction with a centralized, professional fire prevention manager
- filling service gaps by providing fire safety assessments or fire inspections in rural areas
- providing more efficient and effective fire training and communications targeted to the needs of community fire departments through the pooling of regional resources
- creating synergies among similar services by sharing training facilities between emergency and fire services

While the Innovations Program has enticed some regional districts to engage in the delivery of a few important fire support services, there is a need for more regions to provide a comprehensive array of fire support services – the services that will enable local fire departments to do what they do best, put out fires.

Having reviewed the Innovations Program, the Task Force observed that even limited, one-time funding was sufficient to encourage several regional districts to implement solutions to regional capacity problems. We concluded that a relatively small revenue-sharing program providing reliable, long-term support to regional capacity building and support initiatives has the potential to markedly change the way that fire support services are delivered in British Columbia. The Task Force, therefore, urges consideration of a revenue-sharing scheme linked to the provincial Insurance Premium Tax. The tax imposed on fire insurance premiums raises approximately $7 million annually for each tenth of a percentage point levied.

4 Under the *Fire Services Act*, LAFCs are appointed and report directly to the Fire Commissioner. Although some LAFCs are local government employees, they act under provincial authority and are accountable to the Fire Commissioner, not the local government, when carrying out the duties of the LAFC. LAFC duties, which are specified in legislation, include investigation of fires, reporting of fires, conducting fire safety inspections, and issuing orders to remedy fire hazards.

One way that the proposed revenue-sharing scheme could operate would be to escalate transfers as regions mount more comprehensive services. Such an approach would provide an incentive for regions to assume an increased number of fire support services by gearing shared revenues to the number and complexity of services provided. The Office of the Fire Commissioner could play a coordination role in delivering these funds.

TABLE 1: Eligible Services for Fire Services Revenue-Sharing

SERVICE CATEGORIES	SERVICE DESCRIPTION
Regional safety assessments	• voluntary facility review and compliance program • includes safety assessments of buildings, processes, equipment, systems and other fire-related life safety systems
Regional "fire prevention manager"	Responsibilities and duties include, for example: • conducting fire safety assessments • issuing orders to remedy fire hazards • coordinating "fire prevention officers" attached to local fire departments • issuing orders to upgrade building fire safety • entering onto property to investigate a fire
Regional fire training and communications	• coordinated regional training and communications targeted to local requirements
Regional emergency planning and response	• central delivery and coordinated delivery of emergency planning and response and fire services

Table 1 provides a preliminary list of services that could be eligible for the proposed Insurance Premium Tax revenue-sharing scheme. We suggest increasing the percentage of provincial revenue-sharing contributions as the number of support services provided regionally increases. This formula would recognize the differing demographic and geographic nature of areas in the province. For example, providing one support service could trigger 25% cost-sharing, providing two support services could trigger 30% sharing, three support services could trigger 35% sharing, and getting to the ultimate goal of providing *all four* support services could trigger 50% revenue-sharing.

Prerequisites for revenue-sharing might include:

- demonstrated broad-based support from different sectors (for example, fire services, municipalities, fire protection districts, fire service associations and industry within a region might be actively involved in coordinating services)
- a minimum or base level of regional fire coordination and administration
- a regional establishing bylaw to ensure long-term sustainability
- an implementation plan describing regional support services provided, the cost of the services and geographic extent of regional coverage (e.g. is the proposed plan sub-regional or regional?)
- an agreement that sets out the purpose, terms and conditions for revenue-sharing

LOOKING DOWN THE ROAD

The Task Force also considered some further areas where action could be taken to support the long-term sustainability of British Columbia communities.

Innovative Housing Options – The demand for affordable housing is a serious problem in many communities throughout British Columbia. The Task Force believes that local governments can play a stronger role in facilitating provision of both market and non-market housing in partnership with other governments and stakeholders, but more work needs to be done to fully understand issues and options. As a longer-term consideration, the Task Force suggests that thought be given to earmarking a portion of the provincial Property Transfer Tax to create a pool of funds to provide incentives for local governments to innovate in areas of housing affordability. This innovation fund could be used for pilot or demonstration projects, including public-private partnerships, directed at improving housing affordability. Similar to other revenue-sharing initiatives, this would require establishing prerequisite conditions that local governments would have to meet, defining eligible innovations deserving of support and developing appropriate revenue-sharing formulas.

Local Government/First Nations Relationships – As First Nations governments work to build a better future for their citizens, increased economic growth is expected to occur in areas under First Nations jurisdiction. Local and First Nations governments which are able to collaborate to deliver services and harmonize land use will be better positioned to take advantage of expected growth. Developing positive relations and finding common ground are essential for effective local government and First Nations collaboration. Although community-to-community forums have helped to build relationships, as has local government participation on the treaty advisory committees, more can be done in the long-term to foster these local government and First Nations relationships. In this regard, the provincial government's *New Relationship* and the federal government's First Nations Finance Authority both offer opportunities for further collaboration and progress.

LOCAL GOVERNMENT/ FIRST NATIONS RELATIONSHIPS

Joint service arrangements between local governments and First Nations can make sense where common problems or needs face communities or a region. Cooperative service provision among neighbouring communities can result in a higher standard of service and more cost-effective delivery than separate, stand-alone services. A range of diverse service arrangements demonstrates successful partnerships between First Nations and local government across British Columbia.

Masset Health Centre

The Northern Health Authority, the North West Regional Hospital District and the Villages of Port Clements, Masset and Old Massett, a Haida Gwaii community, have partnered in the development of the new hospital facility to replace the aging Masset Hospital. In 2007, the facility will house hospital services, complex care beds, and community health programs.

Shuswap First Nation's Kinbasket Water and Sewer Ltd.

In the 1990s, the Shuswap First Nation began development of its reserve lands near Invermere in the Columbia River Valley (Eagle Ranch golf course, Stone Creek and Black Heights residential developments and the Kinbasket Commercial Centre). The key was developing a water reservoir and sewage treatment facility to serve these developments through the corporation known as Kinbasket Water and Sewer Ltd.

Source: Adams, Peter and Cathy Tait (June 2005). Local Government – First Nation Joint Service Arrangements Research Study Prepared for the Premier's Task Force on Community Opportunities.

STRENGTHENING REGIONAL ECONOMIES: Strategic Direction Two

British Columbia's long-term competitiveness and future prosperity depend on the economic performance of its communities and regions. Local governments are important economic drivers, and can facilitate economic opportunities. Although local governments have a clear interest in enhancing economic prosperity within their own jurisdictions, in the 21st century they need to look beyond their borders and consider the economic consequences of their decisions in the broader regional context. British Columbia is experiencing strong economic growth – employment is at record levels, and consumer and investor confidence is high – but the Task Force believes that for continued economic prosperity, the approach to regional economic development needs to be revisited and improved.

Sustained economic growth is more likely when all players in the economy collaborate and look more broadly at the need for global competitiveness. Fostering a strong British Columbia economy depends on a number of key factors:

- communities being aware of opportunities to promote economic diversification
- proximity to a skilled labour force
- sufficient infrastructure in place to accommodate and facilitate economic expansion
- vibrant, sustainable communities – where people want to live and work
- a stable and predictable business climate to attract and retain investment
- innovation and knowledge infrastructure (e.g. universities and colleges) to develop skilled labour and improve productivity
- collaboration among stakeholders to seize economic opportunities

We set out the following three suggestions for improvement to achieve a strong economic focus in our regional economies.

1. Reinvent Regional Economic Development

The Task Force identified a need to revisit standard approaches to regional economic development. Most local governments understand the need for integrated strategies to manage economic development. Over the years, and often working with the provincial government, communities have launched many well-meaning initiatives aimed at integrating key economic sectors. However, experience shows that, while the objective of integration is easy to articulate, it often proves difficult to achieve in practice.

COLLABORATIVE REGIONAL ECONOMIC DEVELOPMENT INITIATIVES

The following examples demonstrate a variety of initiatives implemented at the regional level:

- Cariboo Chilcotin Beetle Action Coalition
- Omineca Beetle Action Coalition
- Okanagan Partnership
- Columbia Basin Trust
- Northern Development Initiative Trust
- Southern Interior Development Initiative Trust
- North Island - Coast Development Initiative Trust

Stakeholders often find reasons why they should not come together over a common purpose. When collaboration does occur, it may prove difficult to hold the stakeholder coalition together long enough to complete or implement strategic economic plans. Implementation is especially challenging because it can only be achieved over the long-term through continued cooperation.

Overall, few such initiatives in the regional economic development sphere have proven to be sustainable. There are several causes:

- regional economic development has not been regarded as a key function of local government institutions and structures, which are designed primarily for service delivery
- natural regional economies (defined with reference to geography, population distribution, and economic flows and trading areas) generally operate at a larger geographic scale than local government entities
- developing strategic approaches to regional economic development requires the daunting task of finding ways to bridge between different municipal or regional interests and developing partnerships at the appropriate scale
- attempts to form regional alliances tend to break down when individual jurisdictions view *local* economic development strategies as having better prospects for immediate returns than *regional* strategies
- the economic rewards gained by local governments through taxation are lagged – since property taxes tend to respond slowly to changes in economic conditions – affecting the motivation of participants to sustain their efforts to realize economic gains over the long-term

The Ministry of Economic Development recently launched the *On the Ground* initiative that endeavours to address many of the criticisms of past economic development practices. *On the Ground* established three regional integrated economic development partnerships or alliances (East Kootenay, Vancouver Island/Coast and the South Peace River regions) with involvement from local governments, economic development practitioners, educational institutions, First Nations, and the private sector.

The Task Force recognizes the *On the Ground* pilot project as a significant step towards reinventing British Columbia's model for regional economic development. Specifically, the project depends on a broad-based strategy produced through multi-sector alliances at a regional or multi-region scale, consistent with the notion of natural regional economies. These economic development alliances extend beyond local boundaries and are comprised of all sectors participating in the economy. In short, the program is a laudable attempt to bring the right people to the right table to do the right things. The Task Force considers the organizational framework established by the *On the Ground* pilot project as a necessary component in reinventing the economic development model for British Columbia.

While the Task Force commends the *On the Ground* initiative, members are not convinced that the key to long-term sustainability of this initiative has been found. A successful model for economic development **must have staying power**. It is the opinion of the Task Force that the sustainability of economic development initiatives is most likely linked directly to the economic feedback loop, that is, in the ability of regions to capture economic rewards from their efforts in the economic development sphere.

Whereas the provincial and federal governments see almost immediate taxation gains when regional economies prosper, through increased income, sales, corporate and resource taxation, governments at the local level see only modest gains through property taxes and even then, the gains tend to lag. The Task Force believes that there must be a way to deliver a much stronger, more immediate incentive for regions to commit to developing regional economic development plans, implementing these plans, and sustaining the regional alliances that monitor and manage the success of regional plans. We view such an incentive as the "glue" that can hold economic development partnerships together over time.

The Task Force believes that the missing component in regional economic development is the economic feedback loop, a mechanism designed to share with the region the direct benefits of increased economic production. The Task Force urges the Union of BC Municipalities to work with the provincial government to develop a sustainable revenue-sharing program for those regions that agree to work together, assemble the needed multi-sector alliance, develop workable strategic plans, and undertake measurable efforts to develop and diversify their region's economy. Such a results-based revenue-sharing scheme would enable a portion of incremental provincial revenues that are directly linked to successful implementation of a regional economic strategy to be returned to the region, acting as an incentive for even more determined efforts to grow in the future.

Growth in GDP leads to new revenues that could be shared without increasing the burden on taxpayers, and could ultimately be *reinvested* in the foundations that support economic success. Economic improvements within a region should also improve the social well-being of the region's communities, further influencing the economy in a positive way. Diagram 1 illustrates how the proposed revenue-sharing cycle should operate. The Task Force suggests that potential revenue sources could include sharing a portion of incremental corporate income tax, personal income tax and consumption taxes resulting from economic growth.

A proposed program to reinvent regional economic development

One way that a program to reinvent regional economic development could work would be to require regions to meet several conditions, including: (1) meet specific eligibility requirements; (2) demonstrate a commitment to action; and (3) undertake measurable efforts to develop the regional economy that are directly linked to shared revenues.

Establishing a regional entity

A regional economic development entity would be established based on the concept of a "natural regional economy", an economy based on a region's geography, population distribution and economic activity. The regional entity could be organized as a component of the Ministry of Economic Development's *On the Ground* partnerships or, if such a partnership has not been developed in a region, the alliance or partnership could be created on its own. To be eligible, a regional partnership or alliance would have to demonstrate multi-stakeholder involvement: guided by business and the private sector, but also including academic, health and social services sector, and government interests.

The regional entity would also need to demonstrate how it's efforts would improve the region's economic future. For instance, the regional entity would need to devise a regional economic strategy, describing the type of economic development initiatives or projects and their expected outcomes, as well as an implementation schedule. In addition, an agreement with the provincial government would be needed – setting out the purpose, terms and conditions for revenue-sharing.

Regional economic growth activities

In order to help diversify British Columbia's economic base, generate new wealth and grow regional economies, the Task Force suggests that regions build on their comparative advantages.[5] Regions will need to capitalize on their particular strengths and take advantage of key opportunities. For example, regions might focus on developing major public infrastructure to retain and attract business, addressing inequities between industrial and residential property taxes, promoting innovation by increasing research and development of new technologies and looking for ways to increase the workforce. Strategic activities could include:

- **Analytical and research activities:** Having reliable intelligence on regional economic conditions and trends is vital. The academic and business sectors have a comparative advantage in monitoring economic trends, growth forecasts, capital spending and tax competitiveness. These same sectors are also instrumental in promoting research. Efforts by the regional entity to engage these sectors could promote a better understanding of how to improve the region's economic competitiveness.
- **Investing in strategic infrastructure:** The Task Force believes that investment in cluster-focused infrastructure and development is increasingly important to stimulating regional economic development. A region's infrastructure – access to transportation, education and training institutions, communication and energy-related infrastructure – are critical to attracting skilled workers, investment and key industries to a region. Furthermore, initiatives to improve the region's infrastructure are important in bringing together participants from key industries and institutions in a region. Measures such as the *Integrated Technology Initiative*, to synchronize and accelerate the efforts of British Columbia's key technology clusters, illustrate how cluster development is important to regional economic development.[6]

5 Government of Canada (June 2006). *From Restless Communities to Resilient Places: Building a Stronger Future for all Canadians.* Final report of the External Advisory Committee on Cities and Communities.

6 Integrated Technology Initiative, www.techinit.ca. See also Leading Edge British Columbia, www.leadingedgebc.ca/clusters.php

DIAGRAM 1: A Model Regional Economic Development Cycle

Regional Economic Development
• Services
• Infrastructure
• Planning
• Economic diversification
REINVESTMENT
VISION FOR REGIONAL ECONOMIC DEVELOPMENT –
A CONTINUOUS CYCLE
Accelerate the Region's Growth
Economic development leads to increased investment and growth
Increased GDP
Increased regional growth = more revenue for province/communities
Revenue-Sharing
Regions access revenue sources that grow with the economy
Better Quality of Life for Citizens
More economic opportunities for British Columbians

- **Marketing activities:** Promoting a region's uniqueness and its comparative advantages presents an opportunity to attract people and labour, and expand business and investment. Activities could include: coordinated marketing to expand the regional markets through web-based business recruitment and retention strategies; marketing specific industries, such as high-tech and biotechnology sectors; and promoting public-private sector partnerships. Successful promotion and marketing activities should capitalize on and consider the distinct nature of the region, including its geographic size, population density and the nature of its industrial and economic base. Effective marketing programs will also need to take a region's structure into account. Marketing programs for consolidated urban areas will necessarily be different from programs in regions composed of multiple municipalities.[7]

7 There are a number of North America examples that BC regions could consider in developing their marketing and promotion activities. For example, the Greater Houston Partnership is a public-private body that includes large businesses, academic and health care institutions, and different local governments in the Houston region. The Edmonton Economic Development Authority includes local business leaders, plus representatives of the municipalities that make up the wider Edmonton region. The Greater Phoenix Economic Council is a public-private partnership of 16 area municipalities, Maricopa County, and 130 private sector enterprises working together to attract business to the Phoenix region. Note that all of the above regional bodies mainly focus on economic development, marketing, and business attraction; they are not generally engaged in planning activity or service delivery.

2. Promote Business-Friendly Practices

A healthy and growing business base is crucial to the economic and social well-being of communities in British Columbia. A thriving business community helps create jobs, support economic growth and provide essential services to citizens. Businesses are more likely to thrive when there is a predictable investment environment, competitive tax levels, access to information and key services and transparent regulations.

Local governments have a key role to play in creating a strong, competitive local business climate. Businesses are affected by a range of local policies and regulations. Licence and permit requirements, non-residential property tax rates, local fee structures and land use decisions can all impact the business environment. Some local governments have worked to improve the business environment in their communities[8], but there is more that can be done to maximize business and investment opportunities. The Task Force identified the following factors which can impede a competitive business environment:

- local governments may not always consider business and economic interests and the impact of their taxation and programming decisions
- local governments have approval processes that can be ambiguous, overly complicated, and/or take too long
- need for more collaborative action and sustaining opportunities for constructive engagement with the business community
- need for more practical guidance to local governments on business-friendly practices
- need for stronger local government commitment to promoting business-friendly practices, as well as commitment by business to providing constructive input and feedback to local government

CHARACTERISTICS OF BUSINESS-FRIENDLY BEST PRACTICES

- **fairness/equity** – equal opportunities for all businesses; create a level playing field for business
- **due process** – businesses are provided with reasons for decisions and opportunities to provide input
- **stability** – the business environment does not change drastically
- **transparency** – a clear decision-making process; accessibility to quality information on local policies and regulations impacting business
- **predictability** – businesses are able to anticipate and respond to change
- **inclusiveness** – consultation with business; opportunities for business to participate in decision-making
- **flexibility** – governments are responsive to business needs
- **efficiency** – cost-effective and timely service delivery
- **proportionality** – regulatory policy/solution fits the problem (e.g., fees in proportion to cost)
- **accountability** – governments act responsibly (e.g., follow principles; business-friendly practices included in municipal annual report).

8 Many BC local governments have realized the importance of their regulatory authorities in dealing with critical issues affecting the overall well being of their communities. For example, local governments have recognized that the health of their communities is dependent on taking an active role in regulating in areas such as "grow-ops" and strengthening the efforts of law enforcement offices.

The *Regulatory Best Practice Guide*, released by the Ministry of Community Services in 2004, aims to encourage the best possible use of municipal regulatory authority in relation to broad spheres of jurisdiction set out in the *Community Charter*.[9] Although the Guide encourages non-regulatory approaches to addressing difficult local issues and provides practical information on how to assess what type of government action might be considered and when it is most appropriate, the Task Force finds that the *Regulatory Best Practices Guide* does not go far enough to target business-friendly practices.

To support smart local government regulation and positive business practices, the Task Force urges the development and communication of business-friendly best practice guidelines for local government. Implementing best practice guidelines can set the stage for local government to participate more fully in the development and growth of British Columbia's economy. The Task Force believes that best practices should focus on providing information and tools that will encourage communities to consider business and consumer needs. Business-friendly guidelines should specifically highlight the actions local governments can take to improve the business climate in their community, as well as address best practices in creating opportunities for constructive engagement between communities and local businesses.

Overseeing, Developing and Monitoring Business-Friendly Best Practices

To maintain and improve British Columbia's competitive business climate, the Task Force believes local authorities and business representatives have an opportunity and responsibility to work together. Therefore, we suggest a multi-stakeholder standing committee, similar to the existing Development Finance Review Committee, be established to develop and oversee the promotion of the business-friendly guidelines.

DEVELOPMENT FINANCE REVIEW COMMITTEE

The Development Finance Review Committee (DFRC) was established in 1995 to review and provide advice on local government development finance issues. This was in response to concerns expressed by a number of interests, including local government and the development community. The DFRC is comprised of representatives from development interests such as the Urban Development Institute, Canadian Home Builders Association of BC, and BC Real Estate Association, along with representatives from the Union of BC Municipalities, and the provincial government. The DFRC has, for instance, overseen three editions of a guide to development cost charge best practices, and also a guide to alternative approaches to development finance. DFRC has had great success in reaching consensus on important development finance issues among very diverse interest groups.

The purpose of the committee would be to review and provide advice on key issues of concern, identify best practices and evaluate and revise best practice tools over time in response to changing business environments and local priorities. More specifically, the committee should identify local government practices that contribute to a competitive business climate, as well as highlight those actions that can impede business growth. The Task Force also suggests that the guidelines be promoted across British Columbia through education and training opportunities to facilitate engagement and commitment at the community level. Stakeholders that should be involved on such a committee include: the Union of BC Municipalities, representatives from the business community, business improvement areas, non-profit organizations, educational institutions, First Nations, and industry associations.

9 Ministry of Community Services, Government of British Columbia (2004). *Regulatory Best Practices Guide*. Document available at: www.cserv.gov.bc.ca/lgd.

Engagement at the Local Level

The Task Force also finds there are practical steps local governments themselves can take to show their commitment to creating the conditions for business success. The Task Force recommends that municipalities build business-friendly objectives into their local decision-making processes, as well as evaluate and report on those practices in the annual, mandatory annual progress report. In setting objectives, business policies and regulations should be assessed on the basis of whether they are fair, transparent, stable, predictable, effective, efficient and accountable. Best practice objectives could include:

- conducting regulatory bylaw reviews to improve processes and remove unnecessary regulations
- achieving policy objectives using non-regulatory strategies
- designing appropriate tax policies
- establishing "good neighbour" agreements to manage adverse business impacts
- considering alternative service delivery models, such as public-private partnerships and business improvement areas

3. Harmonize Business Licensing

Municipalities have broad authorities within their communities, including the power to regulate in a number of areas and authority to provide for a system of licences, permits and approvals. In some cases, regulatory duplication and lack of coordination can constrain business and development activities, leading to increased costs and missed opportunities for both business and citizens. For example, in many cases, operating a licensing or permitting program imposes significant administrative, compliance and economic costs on those being regulated. In some cases, these costs fall partly on the general taxpayer. This is often the case when neighbouring jurisdictions in a region have different requirements and processes which operate at cross-purposes to the broader economic well-being of the region.

Harmonization issues are not only felt at the local level. At the provincial level, government is also examining the impact regulation has on business and economic competitiveness. The following examples demonstrate how the provincial government is actively working towards harmonization:

- BC – Alberta Trade, Investment, and Labour Mobility Agreement, a new bilateral trade agreement gives investors, businesses and workers in British Columbia and Alberta access to a larger range of opportunities across all sectors by streamlining registration and reporting requirements for businesses, as well as recognizing certification of workers in both provinces.[10]
- FrontCounter BC, a single window service for clients of provincial natural resource ministries and agencies, helps simplify the process for small-to-medium-sized natural resource businesses to operate or start up by providing complete information and accepting applications and fees for licences, tenures and related authorizations on behalf of partner agencies.

The Task Force believes that harmonization measures such as these can be replicated at the local level to increase opportunities for consumers, investors and businesses and to enhance economic growth.

The current regulatory environment can be particularly burdensome for businesses operating in a number of municipal jurisdictions. These businesses can find it time-consuming, confusing and expensive to understand and comply with different requirements of each individual jurisdiction. The need for multiple licences to operate in multiple jurisdictions imposes an onerous financial burden on some businesses.

The Task Force finds that there are no substantive legislative barriers to local harmonization. The *Community Charter* provides a clear framework for municipalities to streamline processes and standardize regulatory approaches. Municipalities also have the ability to enter into inter-municipal service and regulatory schemes.

The Task Force recognizes that regulatory reform processes can be very difficult, complex and time-consuming. Local government capacity, motivation and jurisdiction are among the challenges to successful regulatory reform. Local governments are challenged by the need to improve coordination when they perceive this to mean giving up an element of control.[11] However, the Capital Regional District (CRD) inter-municipal business licensing scheme shows how harmonization can be achieved at the local level. Municipalities in the CRD developed and implemented a standardized municipal business licence for trades throughout the region.

10 Ministry of Economic Development, Government of British Columbia (2006). *Backgrounder: BC-AB Agreement on Trade, Investment and Labour Mobility* available at: www.gov.bc.ca/ecdev/down/bc_ab_agreement_overview.pdf.

11 Perrin, Thorau and Associates Ltd. (June 2005). *Regulation, Service Delivery and Economic Development.* Background Paper prepared for the Premier's Task Force on Community Opportunities.

CAPITAL REGIONAL DISTRICT INTER-MUNICIPAL BUSINESS LICENSING SCHEME

In 1999, 12 out of the 13 municipalities in the Capital Regional District harmonized inter-municipal business licensing to allow mobile-type businesses to obtain one licence in their "home" jurisdiction that is valid in all participating municipalities. The municipality issuing the licence retains the set per annum licence fee and the businesses do not need to obtain a business licence in any of the other participating municipalities. Businesses covered by the agreement include: contractors; development companies; locksmiths; pest control and towing. Businesses that operate out of one or more fixed locations must still obtain a business licence where they are located. To date, this inter-municipal scheme has been limited geographically and by business class availability.

The Task Force urges communities across the province to commit to harmonizing business licensing regulations through the expansion of region-wide, inter-municipal business licensing schemes. In particular, this approach would simplify licensing requirements for mobile-type businesses operating across local boundaries, such as contractors and developers. The CRD inter-municipal business licensing model could be expanded to other regions in the province where there are multiple adjacent jurisdictions. Inter-municipal business licensing would allow mobile-type businesses working in several municipalities to operate with a single licence.

Potentially, more types of business could be included. Municipalities could partner and establish business licence approval criteria for a certain class or classes of businesses that would streamline approvals for "substantially similar" businesses in neighbouring, partner municipalities. Such a licensing process would be locally driven and involve coordination and commitment from local jurisdictions, and is expected to be more streamlined and low-cost than the current system. It may increase compliance and could be undertaken without legislative change.

In the Promote Business-Friendly Practices section of this report, the Task Force recommends that a multi-stakeholder standing committee be established to develop and promote business-friendly practice guidelines. The Task Force suggests that this standing committee could also assist other regions in adapting the CRD licensing model in their areas. Further, the committee could review other barriers to local harmonization and include a specific section in the business-friendly guidelines that address business licensing harmonization.

The Task Force also suggests that local governments maximize the use of single access services available to enhance service delivery to business. Single access services can provide businesses with a single access window to government information and services, making it possible to provide basic business information only once when dealing with two or more related public sector agencies. Single access services can increase efficiency by saving time and eliminating duplication of effort. Examples of single access services include:

- BizPal, an online service that provides one-stop access to permit and licence information for all orders of government
- One Stop Business Registry, a public sector partnership that provides single window, online access to federal, provincial and local government licensing agencies

LOOKING DOWN THE ROAD

The Task Force also considered some further areas where action could be taken to support the continued economic growth of British Columbia communities.

Addressing the Needs of Resource Dependent Communities – The Task Force recognizes the specific needs of resource communities and the need for customized approaches. One example is the *Provincial/ Peace River Memorandum of Understanding* (MOU), which addresses the unique situation in the Peace River region in relation to the dispersed oil and gas industry. In the Peace River Regional District, for a variety of reasons, the property tax system is incapable of delivering industrial property tax revenues to the region's local governments in ordinary ways. Local governments have therefore faced financial challenges in meeting service and infrastructure demands associated with oil and gas development. The MOU is designed to replace revenues that are otherwise not available to Peace River local governments through industrial property taxes. It does this by providing an annual provincial transfer to the signatories. While recognizing that the Peace River Regional District is unique, the Task Force sees some merit in exploring servicing and taxation issues in other resource dependent regions or sectors.

Streamlining Local-Provincial-Federal Regulatory Structures for Development – The current system of development requirements and procedures is complex – often involving several different agencies, multiple levels of government and many decision-makers. The efficiency and effectiveness of regulatory and administrative processes can influence investment decisions. Increasingly, regulatory and administrative processes put demands on the development sector and impact the capacity of developers. Key issues are transparency (ambiguity around the process), efficiency (long waiting periods) and sequencing of approvals (conflicting approaches and predictability of decisions). Streamlining and harmonization among federal, provincial and local government development approval processes may be one way to encourage investment and speed up development approval processes.

Work done by the BC Resort Task Force shows what can be accomplished when key stakeholders work together to address provincial and local regulatory issues related to resort development, particularly for land use approvals and the development of local government structures for resort communities. This approach is being tested for the Juliet Resort project by the Ministry of Tourism, Sport and the Arts, Environmental Assessment Office and Thompson-Nicola Regional District.[12]

Local Government Tax Room – Property taxes are presently the main source of revenue for local governments. Provincial school taxes are one component of property taxes that are currently collected by local governments, but transferred to the province. The Task Force understands that if additional tax room were to be provided to local governments, an off-setting adjustment of the provincial school tax might prove to be an effective strategy, and is therefore a topic that deserves future attention.

The Task Force also considered the argument that local governments need a broader range of revenue sources. The Task Force has focussed on revenue-sharing for results as a way of increasing local government revenue. However, the Task Force also suggests that diversification of revenue sources is an area that is worthy of further consideration as other observers of the local government system have commented.[13]

12 City Spaces Consulting (July 2005) . Final Draft *Harmonization Process, All-Seasons Resorts*. Document available at: www.tsa.gov.bc.ca/resorts_rec/resorts/harmonization_rpt.pdf.

13 A 2004 report from the TD Bank Economics Department highlighted the "limited fiscal flexibility" of local governments as a key reason for the emergence of a significant infrastructure deficit in Canada. The report went on to suggest that new options for local taxation be considered, for instance, surcharges on existing taxes on fuel or hotel rooms. Recently, a study by the C.D. Howe Institute argued that local governments should make much greater use of "user charges" rather than increasing taxes. Due to accountability concerns, neither study favoured unconditional revenue-sharing as an alternative for diversifying local revenues.

Provincial Crown Corporations – Issues involving crown corporations affect many local governments. Over the past five years, progress has been made on a variety of issues. For instance, the provincial government has responded to the long-standing local government objective that crown corporations pay taxes in the same manner as private corporations. The restructuring of BC Ferries and BC Rail has made these entities taxable in the same way as any private enterprise. The Task Force sees merit in bringing crown corporations into a regime that is more consistent with private sector companies.

Streamlining BC-Canada Infrastructure Grants – The support of the federal government is essential if provincial/territorial governments and local governments are going to meet the growing infrastructure challenges across Canada. The Task Force believes that infrastructure programs must recognize differing needs and the specific conditions in diverse communities. The Task Force suggests that continuing to develop a more collaborative relationship with Infrastructure Canada should achieve more flexible, locally-adaptable and administratively streamlined programs.

Reducing the Number of Developed Areas Outside Municipal Boundaries – Many municipalities have adjacent, built-up areas that are not part of the municipality, but have similar population densities. These areas typically do not receive a full selection of services, nor are they regulated in a consistent way. Restructure programs have addressed these issues in some areas. Elsewhere, progress has been slow. Boundary issues typically attract much local interest, both for and against change. The Task Force suggests exploring ways to make boundary restructures more positive for those affected. We also suggest considering adjustments to provincial grant programs to recognize the role of municipalities in providing services outside their boundaries.

Closing Remarks

The Premier established the Task Force on Community Opportunities in 2004 to provide a forum for local government and business leaders to address the key challenges that are slowing the efforts of local governments to build stronger, more vibrant, diverse and economically competitive communities. This report provides an ambitious agenda for two strategic directions where local governments in British Columbia can begin taking the necessary steps to address these challenges and find innovative solutions. The provincial government can also help with purposeful revenue-sharing targeted to clear goals. The Task Force believes that British Columbia communities that are prepared to lead by acting collaboratively will be rewarded with better services, economic growth and healthier communities.

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